

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-02483A
Tonto Hills Utility Company
11802 E. Blue Wash Rd
Cave Creek, AZ 85331

ANNUAL REPORT

FOR YEAR ENDING

12	31	2007
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2007 FIVE

2007 FIVE

FOR COMMISSION USE

ANN 04	07
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PROCESSED BY:

4-15-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>Tonto Hills Utility Co.</u>		
Mailing Address <u>11802 E. BLUE WASH RD.</u>		
<u>CAVE CREEK</u> (City)	<u>AZ</u> (State)	<u>85331</u> (Zip)
<u>480 488 0253</u> Telephone No. (Include Area Code)	<u>480 922 9872</u> Fax No. (Include Area Code)	<u>—</u> Cell No. (Include Area Code)
Email Address <u>—</u>		
Local Office Mailing Address <u>AS ABOVE</u>		
<u>—</u> (City)	<u>—</u> (State)	<u>—</u> (Zip)
<u>—</u> Local Office Telephone No. (Include Area Code)	<u>—</u> Fax No. (Include Area Code)	<u>—</u> Cell No. (Include Area Code)
Email Address <u>—</u>		

MANAGEMENT INFORMATION

Management Contact: <u>DONALD J. UNTHANK</u> <u>PRES.</u>		
<u>11802 E. BLUE WASH RD.</u> (Street)	<u>CAVE CREEK</u> (City)	<u>AZ. 85331</u> (State) (Zip)
<u>480 488 0253</u> Telephone No. (Include Area Code)	<u>480 922 9872</u> Fax No. (Include Area Code)	<u>—</u> Cell No. (Include Area Code)
Email Address <u>—</u>		
On Site Manager: <u>LOU FREDERICK</u>		
<u>11431 E. MANANA</u> (Street)	<u>CAVE CREEK</u> (City)	<u>AZ. 85331</u> (State) (Zip)
<u>480 575 3075</u> Telephone No. (Include Area Code)	<u>480 488 9389</u> Fax No. (Include Area Code)	<u>—</u> Cell No. (Include Area Code)
Email Address <u>—</u>		

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: ROBERT A. JOHNSTON JR.
 (Name)

6702 E. CAVE CREEK RD. CAVE CREEK AZ 85331
 (Street) (City) (State) (Zip)

480 488 3825 480 488 5571
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Attorney: LOSSE-BROWN AND ASSOCIATES
 (Name)

11240 N. TATUM BLVD. SUITE 110 PHOENIX, AZ 85028
 (Street) (City) (State) (Zip)

602 971-4800 602 953 3621
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|-------------------------------------------------------------|---------------------------------------------------------------------------|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) <u> </u> | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|----------------------------------------------|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input checked="" type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME

TOASTO HILLS UTILITY Co

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	385		385
302	Franchises			
303	Land and Land Rights	448219		448219
304	Structures and Improvements	2277	1224	1003
307	Wells and Springs	50197	48236	1961
311	Pumping Equipment	47247	24647	22600
320	Water Treatment Equipment	26269	18308	7961
330	Distribution Reservoirs and Standpipes	12200	9750	2450
331	Transmission and Distribution Mains	136063	129898	6165
333	Services	14598	8293	6305
334	Meters and Meter Installations	3650	2439	1211
335	Hydrants	1325	497	828
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	6231	3077	3154
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment	14150	4071	10,079
348	Other Tangible Plant			
	TOTALS	762811	250440	512321

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

TOWNE HILLS UTILITY CO.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	385		
302	Franchises			
303	Land and Land Rights	448219		
304	Structures and Improvements	2277	5%	114
307	Wells and Springs	50197		2510
311	Pumping Equipment	47247		2362
320	Water Treatment Equipment	26269		1313
330	Distribution Reservoirs and Standpipes	12200		610
331	Transmission and Distribution Mains	136063		6803
333	Services	14598		730
334	Meters and Meter Installations	3650		183
335	Hydrants	1325		66
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	6231	5%	312
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment	14150	5%	707
348	Other Tangible Plant			
	TOTALS	762811		15710

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

COMPANY NAME	Tonto Hills Utility Co.
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BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 24896	\$ 29858
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	11075	9271
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	20466	20989
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 56437	\$ 60118
	FIXED ASSETS		
101	Utility Plant in Service	\$ 762811	\$ 762811
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation -- Utility Plant	(234729)	(250440)
121	Non-Utility Property		
122	Accumulated Depreciation -- Non Utility		
	TOTAL FIXED ASSETS	\$ 528,082	\$ 512371
	TOTAL ASSETS	584519	\$ 572489

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME

Tonto Hills Utility Co.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	19010	18548
236	Accrued Taxes	757	718
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	208	
	TOTAL CURRENT LIABILITIES	\$ 19975	\$ 19258
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 229319	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 0	\$ 0
	TOTAL LIABILITIES	\$ 249293	\$ 236412
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 66000	\$ 66000
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	409494	433364
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 475494	\$ 499364
	TOTAL LIABILITIES AND CAPITAL	\$ 724787	\$ 735776

COMPANY NAME Tonto Hills Utility Co.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 143983	\$ 154162
460	Unmetered Water Revenue		
474	Other Water Revenues	140	985
	TOTAL REVENUES	\$ 144123	\$ 155147
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 4264	\$ 4906
610	Purchased Water	41065	46491
615	Purchased Power	389	
618	Chemicals		
620	Repairs and Maintenance	1092	474
621	Office Supplies and Expense	2274	4039
630	Outside Services	9553	7709
635	Water Testing	2279	4169
641	Rents		
650	Transportation Expenses	592	
657	Insurance - General Liability	6694	6835
659	Insurance - Health and Life		13809
666	Regulatory Commission Expense - Rate Case	8130	15710
675	Miscellaneous Expense	22753	
403	Depreciation Expense	462	3923
408	Taxes Other Than Income		
408.11	Property Taxes	4296	
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 105843	\$
	OPERATING INCOME/(LOSS)	\$ 38280	\$
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 43	\$ 53
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(14622)	(12907)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (14579)	\$ (12854)
	NET INCOME/(LOSS)	\$ 23701	\$ 34208

COMPANY NAME

Tonto Hills Utility Co.

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	12-17-99			
Source of Loan	W.I.F.A.			
ACC Decision No.	62286			
Reason for Loan	CAP WATER			
Dollar Amount Issued	\$285,841. ⁶⁹	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity	01-01-20			
Interest Rate	6.2 %	%	%	%
Current Year Interest	\$12,906. ⁸⁷	\$	\$	\$
Current Year Principle	\$12,144. ⁶⁷	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 18,540

Meter Deposits Refunded During the Test Year

\$ -6

COMPANY NAME	Tonto Hills Utility Co.
Name of System:	ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-524-069	7.5	11.1 ?	990	8"	Two-3/4	?
ABOVE WELL WAS DECOMMISSIONED ON 12-27-05 AND HAS NOT BEEN USED SINCE APRIL 28/04						

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
CAP WATER THRU CITY OF SCOTTSDALE SYSTEM	20/70	

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
SEE "WELLS" ABOVE			

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
64000 GAL.	1		

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME	<u>Tonto Hills Utility Co.</u>
Name of System:	ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2	PVC-C-800	3216'-0
3		
4	APC.	19,050'-0
5		
6		
8	APC.	6140'-0
10		
12		
4"	PVC-C-800	4460'-0

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	132
3/4	
1	1
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

NONE

STRUCTURES:

NONE

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	TOWNS HILLS UTILITY Co.
Name of System:	ADEQ Public Water System Number:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	129	832,504		1,035,700
FEBRUARY	128	668,557	No	774,800
MARCH	128	830,370	GROUND	952,300
APRIL	128	831,240	WATER	881,800
MAY	129	958,930	PUMPED	1,112,500
JUNE	129	1,277,730	AFTER	1,262,400
JULY	131	1,010,446	25 APRIL	1,041,100
AUGUST	129	716,366	2004	1,054,000
SEPTEMBER	129	771,410		1,103,400
OCTOBER	129	1,018,228		1,058,900
NOVEMBER	129	813,400		904,400
DECEMBER	129	725,042		932,200
TOTALS →		10,686,223		12,119,500

What is the level of arsenic for each well on your system? No Wells mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? _____ GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
() Yes () No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(x) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
() Yes (x) No

If yes, provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Tonto Hills Utility Co. YEAR ENDING 12/31/2007

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2007 was: \$ 3922.99

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

VERIFICATION
AND
SWORN STATEMENT
Taxes

RECEIVED
COURT CLERK
MARICOPA COUNTY
JAN 10 2008

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)
Maricopa
NAME (OWNER OR OFFICIAL) TITLE
Robert A. Johnston, Jr.
COMPANY NAME

FOOTHILLS ACCOUNTING, INC.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

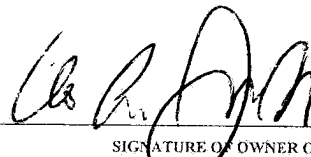
MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



SIGNATURE OF OWNER OR OFFICIAL
480 488-3825

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 31st DAY OF

COUNTY NAME
Maricopa
MONTH
March
2008

(SEAL)

MY COMMISSION EXPIRES 3.1.12



SIGNATURE OF NOTARY PUBLIC


COMPANY NAME Tonto Hills Utility Co YEAR ENDING 12/31/2007

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported 0
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported 0
Estimated or Actual State Tax Liability 0

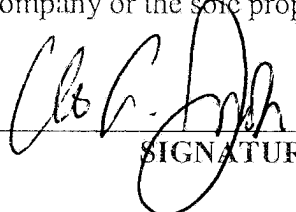
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
Amount of Gross-Up Tax Collected 0
Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

3-31-8
DATE

Robert A. Johnston, Jr
PRINTED NAME

TITLE

RECEIVED

JAN 10 2008

JAN 10 2008

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)
NAME (OWNER OR OFFICIAL) TITLE
COMPANY NAME FOOTHILLS ACCOUNTING, INC.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2007 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 163850.06

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 9710.79
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Ch. H. [Signature]
SIGNATURE OF OWNER OR OFFICIAL
480 488-3825
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

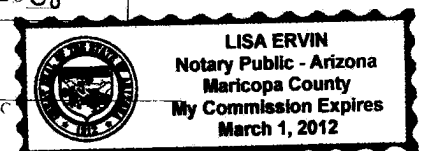
THIS 31st DAY OF

(SEAL)

COUNTY NAME <u>Maricopa</u>
MONTH <u>March</u>
YEAR <u>2008</u>

MY COMMISSION EXPIRES 3.1.12

Lisa Ervin
SIGNATURE OF NOTARY PUBLIC



VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only

RECEIVED
COUNTY OF MARICOPA
OFFICE OF THE
CLERK OF SUPERIOR COURT

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Maricopa</u>	
NAME (OWNER OR OFFICIAL) <u>Robert A. Johnston, Jr.</u>	TITLE
COMPANY NAME <u>FOOTHILLS ACCOUNTING, INC.</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2007</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2007 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 143850.06

THE AMOUNT IN BOX AT LEFT

INCLUDES \$ 9710.79
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

Ch R Johnston
SIGNATURE OF OWNER OR OFFICIAL
480 488-3825
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

31st

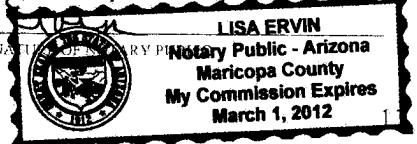
DAY OF

NOTARY PUBLIC NAME <u>Lisa Ervin</u>	
COUNTY NAME <u>Maricopa</u>	
MONTH <u>March</u>	YEAR <u>2008</u>

(SEAL)

MY COMMISSION EXPIRES

3-1-12

X *Lisa Ervin*
SIGNATURE OF NOTARY PUBLIC

LISA ERVIN
Notary Public - Arizona
Maricopa County
My Commission Expires
March 1, 2012

PARCEL ACCOUNT # 027-59-3007

Property Address: SITUS ADDRESS NOT AVAILABLE.

LEGAL DESCRIPTION	SEC/LOT	TWN/BLK	RNG/TR
TOTAL VALUE OF OPERATING PROPERTY			

Property address is provided by the Maricopa County Assessor's Office

Own several properties?
Bulk payments may be your answer. Visit www.treasurer.maricopa.gov to learn more about making payments on-line.

Learn how your tax dollars are spent!
More detailed information is available at www.treasurer.maricopa.gov. View your tax bill online, and find information about how your property taxes are allocated.

View a map of delinquent parcels
Check your property on our new map! The map highlights properties that are behind in their taxes. It will also help you check to see if there are any "orphan" parcels associated with your real estate. Visit www.treasurer.maricopa.gov.

DETACH AND RETURN WITH PAYMENT

MAKE CHECK PAYABLE TO:

Maricopa County Treasurer
P O Box 52133
Phoenix, AZ 85072-2133

PRINT THE ABOVE PARCEL / ACCOUNT
NUMBER ON YOUR CHECK

U.S. FUNDS ONLY

Please remember that your second half payment is due in March and that no additional notification is sent.

0700000000200002706660000135333627393000078

Property Address: 11228 N HOHOKAM RD

LEGAL DESCRIPTION	SEC/LOT	TWN/BLK	RNG/TR
TONTON HILLS			

Property address is provided by the Maricopa County Assessor's Office

Own several properties?
Bulk payments may be your answer. Visit www.treasurer.maricopa.gov to learn more about making payments on-line.

Learn how your tax dollars are spent!
More detailed information is available at www.treasurer.maricopa.gov. View your tax bill online, and find information about how your property taxes are allocated.

View a map of delinquent parcels
Check your property on our new map! The map highlights properties that are behind in their taxes. It will also help you check to see if there are any "orphan" parcels associated with your real estate. Visit www.treasurer.maricopa.gov.

SECOND HALF	\$	373.78
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0700000000200000747560000037378219121150003

Form **1120S**Department of the Treasury
Internal Revenue Service**U.S. Income Tax Return for an S Corporation**

▶ **Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.**
▶ **See separate instructions.**

OMB No. 1545-0130

2007

For calendar year 2007 or tax year beginning , 2007, ending

A S election effective date 5/11/1986	Use the IRS label. Otherwise, print or type.	TONTO HILLS UTILITY COMPANY 42062 N. TURQUOISE LANE CAVE CREEK, AZ 85331	D Employer identification number 86-0574821
B Business activity code number (see instrs) 221300			E Date incorporated 5/11/1986
C Check if Sch M-3 attached <input type="checkbox"/>			F Total assets (see instructions) \$ 556,872.

G Is the corporation electing to be an S corporation beginning with this tax year? Yes ☐ No ☒ If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders in the corporation at the end of the tax year 9**Caution.** Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

I N C O M E	1a Gross receipts or sales.	155,147.	b Less returns and allowances.		c Bal ▶	1c	155,147.
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c.					3	155,147.
	4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)					4	
	5 Other income (loss) (attach statement)					5	
	6 Total income (loss). Add lines 3 through 5. ▶					6	155,147.
D E D U C T I O N S S E E I N S T R U C T I O N S	7 Compensation of officers.					7	2,100.
	8 Salaries and wages (less employment credits)					8	2,806.
	9 Repairs and maintenance					9	375.
	10 Bad debts.					10	
	11 Rents.					11	
	12 Taxes and licenses					12	5,530.
	13 Interest					13	12,907.
	14 Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)					14	4,064.
	15 Depletion (Do not deduct oil and gas depletion.)					15	
	16 Advertising.					16	44.
	17 Pension, profit-sharing, etc, plans					17	
	18 Employee benefit programs					18	
	19 Other deductions (attach statement)	See Statement 1				19	81,526.
	20 Total deductions. Add lines 7 through 19. ▶					20	109,352.
	21 Ordinary business income (loss). Subtract line 20 from line 6.					21	45,795.
T A X A N D P A Y M E N T S	22a Excess net passive income or LIFO recapture tax (see instructions)	22a					
	b Tax from Schedule D (Form 1120S)	22b					
	c Add lines 22a and 22b (see instructions for additional taxes)					22c	
	23a 2007 estimated tax payments and 2006 overpayment credited to 2007.	23a					
	b Tax deposited with Form 7004.	23b					
	c Credit for federal tax paid on fuels (attach Form 4136)	23c					
	d Add lines 23a through 23c.					23d	
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached. ▶ <input type="checkbox"/>					24	
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed.					25	0.
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid.					26	
27 Enter amount from line 26 Credited to 2008 estimated tax		Refunded			27		

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)?

☒ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

▶ ROBERT A. JOHNSTON, JR.

Date

Check if self-employed ☐

Preparer's SSN or PTIN

P00087337

Firm's name (or yours if self-employed), address, and ZIP code

▶ Foothills Accounting, Inc.

▶ 6702 E. Cave Creek Rd. #3

Cave Creek, AZ 85331

EIN 86-0929919

Phone no. (480) 488-3825

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

SPSA0105L 12/26/07

Form 1120S (2007)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year.	1	
2	Purchases.	2	
3	Cost of labor.	3	
4	Additional section 263A costs (attach statement).	4	
5	Other costs (attach statement).	5	
6	Total. Add lines 1 through 5.	6	
7	Inventory at end of year.	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2.	8	

9a Check all methods used for valuing closing inventory:

- (i) ☐ Cost as described in Regulations section 1.471-3
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
(iii) ☐ Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c). ☐ Yes ☐ No**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970). ☐ Yes ☐ No**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** ☐ Yes ☐ No**e** If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation. ☐ Yes ☐ No**Schedule B Other Information** (see instructions)

	Yes	No
1 Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____		
2 See the instructions and enter the: a Business activity WATER UTILITY b Product or service SERVICE		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4 Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5 Check this box if the corporation issued publicly offered debt instruments with original issue discount. If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments. <input type="checkbox"/>		
6 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years. \$ _____		
7 Enter the accumulated earnings and profits of the corporation at the end of the tax year \$ _____		
8 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1.		X

Schedule K Shareholders' Pro Rata Share Items

	Total amount
1 Ordinary business income (loss) (page 1, line 21).	45,795.
2 Net rental real estate income (loss) (attach Form 8825).	
3a Other gross rental income (loss).	
3b Expenses from other rental activities (attach statement).	
3c Other net rental income (loss). Subtract line 3b from line 3a.	
4 Interest income.	53.
5 Dividends: a Ordinary dividends.	
b Qualified dividends.	
6 Royalties.	
7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S)).	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S)).	
8b Collectibles (28%) gain (loss).	
8c Unrecaptured section 1250 gain (attach statement).	
9 Net section 1231 gain (loss) (attach Form 4797).	
10 Other income (loss) (see instructions).	

INCOME (LOSS)

Shareholders' Pro Rata Share Items (continued)		Total amount	
Deductions	11 Section 179 deduction (<i>attach Form 4562</i>)	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type (2) Amount	12c (2)	
	d Other deductions (<i>see instructions</i>) Type	12d	
Credits	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (<i>attach Form 3468</i>)	13c	
	d Other rental real estate credits (<i>see instrs</i>) Type	13d	
	e Other rental credits (<i>see instrs</i>) Type	13e	
	f Credit for alcohol used as fuel (<i>attach Form 6478</i>)	13f	
	g Other credits (<i>see instructions</i>) Type	13g	
Foreign Transactions	14a Name of country or U.S. possession		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level	14c	
	<i>Foreign gross income sourced at corporate level</i>		
	d Passive category	14d	
	e General category	14e	
	f Other (<i>attach statement</i>)	14f	
	<i>Deductions allocated and apportioned at shareholder level</i>		
	g Interest expense	14g	
	h Other	14h	
	<i>Deductions allocated and apportioned at corporate level to foreign source income</i>		
	i Passive category	14i	
	j General category	14j	
	k Other (<i>attach statement</i>)	14k	
<i>Other information</i>			
l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l		
m Reduction in taxes available for credit (<i>attach statement</i>)	14m		
n Other foreign tax information (<i>attach statement</i>)			
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	-749.
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties — gross income	15d	
	e Oil, gas, and geothermal properties — deductions	15e	
	f Other AMT items (<i>attach statement</i>)	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	53.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	d Other items and amounts (<i>attach statement</i>)		
Reconciliation	18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l...	18	45,848.

BAA

Form 1120S (2007)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		24,915.		29,853.
2a	Trade notes and accounts receivable	11,075.		9,271.	
b	Less allowance for bad debts		11,075.		9,271.
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach stmt) See St. 2.		751.		674.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	313,250.		313,250.	
b	Less accumulated depreciation	293,560.	19,690.	297,624.	15,626.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)		35,282.		35,282.
13a	Intangible assets (amortizable only)	-2,318.		600.	
b	Less accumulated amortization		-2,318.		600.
14	Other assets (attach stmt) See St. 3.		448,045.		465,566.
15	Total assets		537,440.		556,872.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt) See St. 4.		2,581.		1,499.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement) See St. 5.		265,839.		259,205.
22	Capital stock		66,000.		66,000.
23	Additional paid-in capital				
24	Retained earnings		232,715.		278,563.
25	Adjustments to shareholders' equity (att stmt) St. 6.		-29,695.		-48,395.
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		537,440.		556,872.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more — see instructions

1	Net income (loss) per books	45,848.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14 (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14, not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Travel and entertainment \$		7	Add lines 5 and 6	0.
4	Add lines 1 through 3	45,848.	8	Income (loss) (Schedule K, Ln 18). Ln 4 less Ln 7...	45,848.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	189,146.	
2	Ordinary income from page 1, line 21	45,795.	
3	Other additions See Statement 7	53.	
4	Loss from page 1, line 21		
5	Other reductions		
6	Combine lines 1 through 5	234,994.	
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6	234,994.	